NORDIC SHIPHOLDING

Interim Report Q3 2020

25 November 2020
CVR-no. 76 35 17 16

Summary

The comparison figures for period ended 30 September 2019 are stated in parenthesis.

The very high Time Charter Equivalent ("TCE") rates arising from the short-term surge in demand for tonnage caused by the COVID-19 pandemic and the oil price war which started in Q1 2020 positively impacted the Group's earnings in 9M 2020. Despite the downward correction in daily TCE rate from May 2020, the average daily TCE rates earned in Q3 2020 and 9M 2020 by the 5 vessels were approximately 11% and 53% higher than the average TCE rates earned in Q3 2019 and 9M 2019, respectively.

The TCE revenue in Q3 2020 falls short of expectation due to lower than expected daily TCE rates, exacerbated by lower contribution from Nordic Hanne as she was off-hired since 11 September 2020 due to a contact damage during a Ship-to-Ship ("STS") operation. She resumed trading on 28 October 2020.

For the 9 months ended 30 September 2020, the Group incurred a loss after tax of USD 3.9 million (including a one-off impairment loss of USD 10.7 million on the vessels), compared to a loss after tax of USD 4.7 million in the same period last year. Excluding the impairment loss of USD 10.7 million (USD 0.2 million), the Group generated a profit after tax of USD 6.8 million for the 9 months under review (loss after tax of USD 4.5 million). The improved TCE revenue from the vessels contributed to the improved results in 9M 2020.

Despite the sale of Nordic Ruth in July 2019, TCE revenue rose 57.3% to USD 24.0 million (USD 15.2 million) in 9M 2020 primarily from higher TCE revenue generated by the vessels in the pools compared to the same period last year. Further, the TCE revenue in 9M 2019 were impacted negatively by the dry-dock of 3 vessels (Nordic Anne, Nordic Agnetha and Nordic Amy) in Q3 2019.

Expenses relating to the operation of vessels in 9M 2020 decreased to USD 8.6 million (USD 10.8 million) mainly due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 14.2 million (USD 3.3 million) as a result of improved TCE revenue in 9M 2020. Other external costs remained relatively unchanged at USD 1.0 million (USD 1.0 million).

In line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities, two co-brokers were appointed in May 2020 to officially test the buying interest for one vessel, Nordic Hanne, a handysize tanker. Hence, the Group recognised impairment losses totaling USD 4.2 million in 9M 2020 following the reclassification of Nordic Hanne as an asset held-for-sale in Q2 2020. It is noted that the estimation of Nordic Hanne's expected sale value is highly uncertain. The Group also recognised impairment losses of USD 6.5 million on the other four vessels in 9M 2020 primarily due to reduced earnings expectations. The Group realised a loss of USD 0.2 million on asset-held-for-sale in 9M 2019 related to the sale of Nordic Ruth in July 2019.

After accounting for depreciation, impairment losses, interest expenses and other finance expenses, the loss after tax was USD 3.9 million in 9M 2020 (loss of USD 4.7 million).

Between 31 December 2019 and 30 September 2020, equity decreased from USD 7.9 million to USD 4.0 million as a result of the cumulative loss during the period. Consequently, the equity ratio declined from 8.1% to 5.1%.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature. The Company, together with its majority shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. Negotiations are ongoing and are expected to be completed during December 2020 when an announcement will be published. It is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020 (reference is made to Note 0 in this interim report).

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group in excess of USD 6.0 million towards prepayment of the loan. During 9M 2020, this cash sweep mechanism was activated on 31 March 2020, 30 June 2020 and 30 September 2020, and a total of USD 13.3 million excess cash was used to pay down the loan (USD NIL cash sweep for 9M 2019).

During the financial period under review, cash flow generated from operations was USD 14.1 million (USD 2.0 million) contributed by earnings from the pools. As at 30 September 2020, cash and cash equivalents stood at USD 6.2 million (USD 6.4 million, including balances held in dry-docking reserve bank accounts).

The outlook for 2020 remains unchanged as indicated in the Company Announcement 09/2020 on 20 November 2020. For the detailed outlook, please refer to Page 6 of this report.

Consolidated financial highlights

Amounts in USD thousand	YTD 30 Sep 2020	YTD 30 Sep 2019	FY 2019
Time charter equivalent revenue (TCE revenue)	23,983	15,248	22,498
EBITDA	14,191	3,259	6,840
Operating result (EBIT)	(791)	(776)	1,312
Net finance expenses	(3,090)	(3,919)	(5,208)
Result after tax	(3,881)	(4,696)	(3,906)
Equity ratio (%)	5.1%	7.5%	8.1%
Earnings per share, US cents	(0.96)	(1.16)	(0.96)
Market price per share DKK, period end	0.37	0.46	0.54
Market price per share USD, period end	0.06	0.07	0.08
Exchange rate USD/DKK, period end	6.35	6.85	6.66
Number of shares, period end	406,158,403	406,158,403	406,158,403
Average number of shares	406,158,403	406,158,403	406,158,403

Company data

Company
Nordic Shipholding A/S (the "Company")
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CVR- no. 76 35 17 16
Website: www.nordicshipholding.com
Registered office: Copenhagen
Contact persons regarding this interim report: Knud Pontoppidan, Chairman
Philip Clausius, CEO

Executive Management
Philip Clausius, CEO

Board of Directors
Knud Pontoppidan, Chairman
Jon Robert Lewis, Deputy Chairman
Kanak Kapur
Philip Clausius
Jens V. Mathiasen
Esben Søfren Poulsson

Auditors
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

Forward-looking statements
This report contains forward-looking statements reflecting Nordic Shipholding A/S's current beliefs of future events. Forward-looking statements are inherently subject to uncertainty, and Nordic Shipholding A/S's actual results may differ significantly from expectations. Factors which could cause actual results to deviate from the expectations include, but not limited to, changes in macroeconomic, regulatory and political conditions, especially on the Company's main markets, changes in currency exchange and interest rates, freight rates, operating expenses and vessel prices as well as possible disruptions of traffic and operations resulting from outside events. Also, the COVID-19 pandemic adds significant uncertainties to the expectations.

Management's review

The Group with its five vessels, continues to be a tonnage provider in the product tanker segment. The four handysize tankers remained commercially managed by the Hafnia Handy Pool (Nordic Agnetha, Nordic Amy, Nordic Pia and Nordic Hanne) while the LR1 tanker (Nordic Anne) remained commercially managed by Hafnia LR Pool.

The very high TCE rates arising from the short-term surge in demand for tonnage caused by the COVID-19 pandemic and the oil price war which started in Q1 2020 positively impacted the Group's earnings in 9M 2020. Despite the downward correction in daily TCE rate from May 2020, the average daily TCE rate earned in Q3 2020 and 9M 2020 by the 5 vessels was approximately 11% and 53% higher than the average TCE rate earned in Q3 2019 and 9M 2019, respectively.

The TCE revenue in Q3 2020 falls short of expectation due to lower than expected daily TCE rates, exacerbated by lower contribution from Nordic Hanne as she was off-hired since 11 September 2020 due to a contact damage during a STS operation. She resumed trading on 28 October 2020.

Financial results for the period 1 January – 30 September 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

For the 9 months ended 30 September 2020, the Group incurred a loss after tax of USD 3.9 million (including a one-off impairment loss of USD 10.7 million on the vessels), compared to a loss after tax of USD 4.7 million in the same period last year. Excluding the impairment loss of USD 10.7 million (USD 0.2 million), the Group generated a profit after tax of USD 6.8 million for the 9 months under review (loss after tax of USD 4.5 million). The improved TCE revenue from the vessels contributed to the improved results in 9M 2020.

Despite the sale of Nordic Ruth in July 2019, TCE revenue rose 57.3% to USD 24.0 million (USD 15.2 million) in 9M 2020 primarily from higher TCE revenue generated by the vessels in the pools compared to the same period last year. Further, the TCE revenue in 9M 2019 were impacted negatively by the dry-dock of 3 vessels (Nordic Anne, Nordic Agnetha and Nordic Amy) in Q3 2019.

Expenses relating to the operation of vessels in 9M 2020 decreased to USD 8.6 million (USD 10.8 million) mainly due to the sale of Nordic Ruth in July 2019.

EBITDA increased significantly to USD 14.2 million (USD 3.3 million) as a result of improved TCE revenue in 9M 2020. Other external costs remained relatively unchanged at USD 1.0 million (USD 1.0 million).

In line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities, two co-brokers were appointed in May 2020 to officially test the buying interest for one vessel, Nordic Hanne, a handysize tanker. Hence, the Group recognised impairment losses totaling USD 4.2 million in 9M 2020 following the reclassification of Nordic Hanne as an asset held-for-sale in Q2 2020. It is noted that the estimation of Nordic Hanne's expected sale value is highly uncertain. The Group also recognised impairment losses of USD 6.5 million on the other four vessels in 9M 2020 primarily due to reduced earnings expectations. The Group realised a loss of USD 0.2 million on asset-held-for-sale in 9M 2019 related to the sale of Nordic Ruth in July 2019.

During the financial period, depreciation amounted to USD 4.3 million (USD 3.8 million).

Finance expenses decreased by USD 0.4 million to USD 3.6 million (USD 4.0 million) due to the loan repayment totaling USD 13.3 million between 30 September 2019 and 30 September 2020 and lower 3M-USD LIBOR. The lower finance expenses, coupled with the loan modification gain released to the income statement of USD 0.5 million, resulted in lower net finance expenses of USD 3.1 million (USD 3.9 million).

After accounting for depreciation, impairment losses, interest expenses and other finance expenses, the loss after tax was USD 3.9 million in 9M 2020 (loss of USD 4.7 million).

Financial position as at 30 September 2020
The comparison figures for 31 December 2019 are stated in parenthesis.

Total assets amounted to USD 79.1 million (USD 98.1 million).

Vessels and docking stood at USD 56.9 million (USD 79.5 million). The change is mainly due to the impairment and depreciation on the vessels totaling USD 15.0 million and reclassification of Nordic Hanne as an asset held-for-sale.

Receivables balance was USD 6.8 million as at 30 September 2020 (USD 10.6 million).

From 31 December 2019 to 30 September 2020, net working capital[1] decreased by USD 1.3 million from USD 6.2 million to USD 4.9 million.

Cash and cash equivalents stood at USD 6.2 million (USD 5.5 million), an increase of USD 0.7 million from 31 December 2019.

Between 31 December 2019 and 30 September 2020, equity decreased from USD 7.9 million to USD 4.0 million as a result of the cumulative loss during the period. Consequently, the equity ratio declined from 8.1% to 5.1%.

Non-current liabilities stood at USD NIL (USD NIL). Current liabilities at USD 75.1 million (USD 90.2 million) comprised the current portion of term loan of USD 60.4 million (USD 72.9 million), loan from majority shareholder of USD 11.3 million (USD 10.4 million) and other current liabilities of USD 3.5 million (USD 6.9 million). Since the last financial year-end, the bank loans and loans from the majority shareholder have been classified as current loans.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature. The Company, together with its majority

[1] Net working capital is defined as inventories, receivables and other current operating assets less trade payables and other liabilities (excluding provisions) as well as other current operating liabilities.

shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. Negotiations are ongoing and are expected to be completed during December 2020 when an announcement will be published. It is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020 (reference is made to Note 0 in this interim report).

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group in excess of USD 6.0 million towards prepayment of the loan. During 9M 2020, this cash sweep mechanism was activated on 31 March 2020, 30 June 2020 and 30 September 2020, and a total of USD 13.3 million excess cash was used to pay down the loan (USD NIL cash sweep for 9M 2019).

Cash flow for the period 1 January – 30 September 2020
The comparison figures for the same period in 2019 are stated in parenthesis.

During the financial period under review, cash flow generated from operations was USD 14.1 million (USD 2.0 million) contributed by earnings from the pools. As at 30 September 2020, cash and cash equivalents stood at USD 6.2 million (USD 6.4 million, including balances held in dry-docking reserve bank accounts).

Outlook for 2020

As stated in Note 0, the management together with the majority shareholder of the Company commenced merger discussions with a potential entity since late 2019. However, these merger discussions have stalled due to the diminished financial and economic visibility that have evolved and is still evolving from the COVID-19 pandemic.

In H1 2020, the Group has offered one of its vessels, Nordic Hanne, to the market for sale. This is in line with management's strategy to secure longer term financing in the renegotiation of the Group's loan facilities. As of the date of this interim report, no potential buyer has been identified.

For the rest of 2020, the five vessels will continue to be commercially deployed on a pool basis (including the vessel currently earmarked for sale). Barring unforeseen circumstances, the TCE revenue for 2020 is forecasted to be in the region of USD 27.0 million – USD 29.0 million.

After accounting for operating expenditure budgeted by the respective technical managers, the Group's expected EBITDA (earnings before interest, tax, depreciation and amortisation) for 2020 is in the range of USD 13.0 million – USD 15.0 million. The result before tax is expected to be a loss between USD 5.0 million – USD 7.0 million including impairment loss.

Management statement

We have today considered and approved the interim financial statements of Nordic Shipholding A/S for the period 1 January – 30 September 2020.

The interim report, which has not been audited or reviewed, has been presented in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's financial position at 30 September 2020 and of its financial performance and cash flows for the period 1 January – 30 September 2020. In our opinion, the management's review gives a true and fair review of the development in and results of the Group's operations and financial position as a whole and a specification of the significant risks and uncertainties facing the Group. Besides what has been disclosed in the interim report for the period 1 January – 30 September 2020, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the 2019 Annual Report.

Copenhagen, 25 November 2020

Executive Management
Philip Clausius, CEO

Board of Directors

Knud Pontoppidan Chairman	Jon Robert Lewis Deputy Chairman	Kanak Kapur
Jens V. Mathiasen	Esben Søfren Poulsson	Philip Clausius

Consolidated statement of comprehensive income (condensed)

Amounts in USD thousand	**Q3 2020**	**Q3 2019**	**YTD 30 Sep 2020**	**YTD 30 Sep 2019**	**FY 2019**
Total revenue	**7,976**	**6,502**	**36,285**	**24,074**	**36,119**
Voyage related expenses	(3,406)	(3,406)	(12,302)	(8,826)	(13,621)
TCE revenue	**4,570**	**3,096**	**23,983**	**15,248**	**22,498**
Other income	-	-	74	-	132
Expenses related to the operation of vessels	(2,973)	(3,657)	(8,646)	(10,754)	(13,886)
Staff costs	(73)	(69)	(218)	(223)	(291)
Other external costs	(299)	(396)	(1,002)	(1,012)	(1,613)
EBITDA	**1,225**	**(1,026)**	**14,191**	**3,259**	**6,840**
Depreciation	(1,275)	(1,283)	(4,299)	(3,823)	(5,316)
Impairment loss on vessels	(6,506)	-	(6,506)	-	-
Impairment loss on asset-held-for-sale	(2,171)	42	(4,177)	(212)	(212)
Operating result (EBIT)	**(8,727)**	**(2,267)**	**(791)**	**(776)**	**1,312**
Financial income	179	30	539	110	883
Financial expenses	(986)	(1,205)	(3,629)	(4,029)	(6,091)
Result before tax	**(9,534)**	**(3,442)**	**(3,881)**	**(4,695)**	**(3,896)**
Tax on result	-	(1)	-	(1)	(10)
Result after tax	**(9,534)**	**(3,443)**	**(3,881)**	**(4,696)**	**(3,906)**
Other comprehensive income	-	-	-	-	-
Comprehensive income	**(9,534)**	**(3,443)**	**(3,881)**	**(4,696)**	**(3,906)**
Distribution of result					
Parent Company	(9,534)	(3,443)	(3,881)	(4,696)	(3,906)
Non-controlling interest	-	-	-	-	-
	(9,534)	**(3,443)**	**(3,881)**	**(4,696)**	**(3,906)**
Distribution of comprehensive income					
Parent Company	(9,534)	(3,443)	(3,881)	(4,696)	(3,906)
Non-controlling interest	-	-	-	-	-
	(9,534)	**(3,443)**	**(3,881)**	**(4,696)**	**(3,906)**
Number of shares, end of period	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403
Earnings per share, US cents	(2.35)	(0.85)	(0.96)	(1.16)	(0.96)
Diluted earnings per share, US cents	(2.35)	(0.85)	(0.96)	(1.16)	(0.96)

Statement of financial position (condensed)

Amounts in USD thousand	**30 Sep 2020**	**30 Sep 2019**	**31 Dec 2019**
Non-current assets			
Vessels and docking	56,882	78,889	79,511
Total non-current assets	**56,882**	**78,889**	**79,511**
Current assets			
Bunkers and lubricant stocks	1,548	1,665	2,372
Receivables	6,759	7,532	10,643
Cash & cash equivalents	6,219	6,352	5,527
Asset held-for-sale	7,720	-	-
Total current assets	22,246	15,549	18,542
Total assets	**79,128**	**94,438**	**98,053**
Equity and liabilities			
Equity			
Equity, Parent Company	4,021	7,112	7,902
Equity, non-controlling interest	-	-	-
Total equity	**4,021**	**7,112**	**7,902**
Liabilities			
Non-current liabilities			
Finance loans, etc.	-	71,881	-
Loans from majority shareholder	-	9,832	-
Total non-current liabilities	**-**	**81,713**	**-**
Current liabilities			
Finance loans, etc.	60,363	706	72,890
Loans from majority shareholder	11,271	268	10,391
Other current liabilities	3,473	4,639	6,870
Total current liabilities	**75,107**	**5,613**	**90,151**
Total liabilities	**75,107**	**87,326**	**90,151**
Equity and liabilities	**79,128**	**94,438**	**98,053**

Statement of changes in equity (condensed)

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity Parent company**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2020	**7,437**	**465**	**7,902**	**-**	**7,902**
Result for the period	-	(3,881)	(3,881)	-	(3,881)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 September 2020	**7,437**	**(3,416)**	**4,021**	**-**	**4,021**

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity Parent company**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2019	**7,437**	**4,371**	**11,808**	**-**	**11,808**
Result for the period	-	(4,696)	(4,696)	-	(4,696)
Other comprehensive income for the period	-	-	-	-	-
Equity as at 30 September 2019	**7,437**	**(325)**	**7,112**	**-**	**7,112**

Statement of cash flow (condensed)

Amounts in USD thousand	YTD 30 Sep 2020	YTD 30 Sep 2019	Year 2019
Operating result (EBIT)	(791)	(776)	1,312
Adjustments for:			
Depreciation and write-downs	14,982	4,035	5,528
Non-cash financial income	-	-	40
Operating profit before working capital changes	14,191	3,259	6,880
Changes in working capital	1,317	954	(682)
Net financial expenses paid	(1,438)	(2,257)	(2,994)
Income tax paid	(7)	-	-
Cash flows from operating activities	**14,063**	1,956	3,204
Net proceeds from sale of asset held-for-sale	-	5,235	5,277
Investments in tangible assets	(73)	(4,105)	(6,220)
Net cash from investing activities	**(73)**	1,130	(943)
Repayment of finance loans	(13,298)	(5,332)	(5,332)
Net cash from financing activities	(13,298)	(5,332)	(5,332)
Cash flows for the period	692	(2,246)	(3,071)
Cash and cash equivalents at beginning of period	5,527	8,598	8,598
Cash and cash equivalents at end of period	**6,219**	6,352	5,527

Notes

0. Going concern assumption

As stated in Company Announcement 9/2018, the Company entered into an agreement with its lenders in 4th quarter 2018, which included various waivers of terms and conditions that allowed the Company up to September 2020 to finalize the implementation of its various strategies. The maturity date of December 2020 as stipulated in the original loan agreement remained unchanged as noted in the 2018 and 2019 Annual Reports. Hence, the Group's loan portfolio is classified as current loans.

Since 4th quarter 2018, management has continuously worked with various initiatives to secure the long-term financing of the Group. Together with the majority shareholder of the Company, merger discussions with a potential entity commenced since late 2019. However, these merger discussions have stalled due to the diminished financial and economic visibility that have evolved and is still evolving from the COVID-19 pandemic.

Although the merger discussions have stalled, the Company, together with its majority shareholder, are in active discussions with the lending banks on securing longer term financing for the Group. Negotiations are ongoing and are expected to be completed during December 2020. It is management's expectation that the lenders will finance the Company in a period longer than 31 December 2020.

Although management expects that the necessary financing will be obtained and hence has prepared the financial statements for 9M 2020 on a going concern basis, the above also indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If the Company is no longer a going concern, there is a risk of further significant write-down on the vessels' carrying values.

1. Accounting policies

The interim report has been presented as a condensed set of financial statements in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies have been consistently applied. For a further description of the accounting policies, see the 2019 Annual Report for Nordic Shipholding A/S.

New IAS/IFRSs
The new financial reporting standards or interpretations, effective from 1 January 2020, are not applicable for Nordic Shipholding A/S and have no impact on Nordic Shipholding A/S's results or equity in the interim report and disclosure in the notes.

2. Accounting estimates

Impairment tests
In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Excluding Nordic Hanne which has been reclassified as an asset held-for-sale, the Group evaluates the carrying amount of vessels within two cash generating units – (1) one LR1 vessel deployed in Hafnia LR Pool and (2) three vessels deployed in Hafnia Handy Pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

Based on the assessment, the Group recognised impairment losses of USD 6.5 million on these four vessels in 9M 2020. For description of sensitivities, please refer to Note 7 of the 2019 Annual Report.

Depreciation
Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the depreciation for the period. There was no change to the estimates of useful lives and residual values during 9M 2020. The carrying amount of vessels as at 30 September 2020 amounted to USD 56.9 million (31 December 2019: USD 79.5 million).

3. Finance loans

As at 30 September 2020, the Group had outstanding finance loans of USD 60.4 million (31 December 2019: USD 72.9 million). The reduction in finance loans from 31 December 2019 was due to partial repayment on term loan, which is offset by the capitalisation of 2.5% point of the total loan interest margin.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. As of 30 September 2020, the unamortised portion of the modification loss stood at USD 0.2 million.

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till and including 30 September 2020. In addition, the quarterly loan instalments due from December 2018 to September 2020 are deferred to December 2020 where all of the Group's debts to the lending banks mature.

4. Loans from majority shareholder

As at 30 September 2020, the Group had outstanding loans from majority shareholder of USD 11.3 million (31 December 2019: USD 10.4 million). The increase in the loans from the majority shareholder from 31 December 2019 is due to accrued interest on the (i) outstanding loans and (ii) banker's guarantee of USD 3.85 million provided as additional security to the lenders.